

Service Area Plan

Department of Accounts

Financial Reporting (73704)

Service Area – Financial Reporting

Background Information

Service Area Description

The Virginia Constitution requires that accounts be maintained and reported based on when cash is received and paid out. This service area involves ongoing reporting of cash activity in the state accounts throughout the year. DOA reports cash activity in state accounts throughout the year for the Governor, Secretary of Finance and General Assembly include the monthly report on the cash position of the Commonwealth. A general fund preliminary annual report is prepared by August 15 as required by law.

This service area produces the Comprehensive Annual Financial Report (CAFR) of the Commonwealth, which is audited by the Auditor of Public Accounts. Generally accepted accounting principals (GAAP) are promulgated by the Governmental Accounting Standards Board (GASB) and include the recognition of accrued assets and liabilities along with other non-cash accounting requirements. Planning, information gathering, and preparation of this report take approximately 6 1/2 months. In order to obtain all of the financial information necessary to prepare the CAFR, DOA issues the State Agency, Higher Education, and Component Unit Financial Statement Directives. These Directives provide guidance and assistance to State Agencies, Institutions of Higher Education, and Component units on the GAAP presentation of financial statement information.

This service area summarizes and simplifies the presentation of information contained in the Commonwealth's Comprehensive Annual Financial Report in a report often referred to as the "popular report." This report is intended to better inform the public about the Commonwealth's financial condition without excessive detail or the use of technical accounting terms. This service area also produces the Schedule of Expenditures of Federal Awards for inclusion in the Statewide Single Audit Report. The schedule is prepared in accordance with the requirements of OMB Federal Circular A-133.

The Code of Virginia (§2.2-4801 et seq., the Virginia Debt Collection Act) assigns DOA the responsibility to provide oversight reporting, and monitoring for the procedures used by state agencies to collect accounts receivable. Data on accounts receivable balances are compiled quarterly. These data are also used for the Comprehensive Annual Financial Report of the Commonwealth (CAFR) and the Report to the Citizens of the Commonwealth (PAFR).

This service area prepares two indirect cost allocation plans. The first is prepared in accordance with OMB Circular A-87 and is used by agencies entitled to recover indirect costs from federal grants and contracts. The plan is audited and approved by the federal government on behalf of the Commonwealth and recovered over \$190 million from federal sources in FY 2004. In addition, a second "full costing" plan is developed for DPB that supports the recovery of indirect costs borne by the General Fund on behalf of non-general funded agencies and programs. The Appropriation Act is used to recover these costs for the General Fund. In FY 2004, \$7.5 million was recovered for the General Fund through this program.

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This service area accounts for all major land, building and equipment assets of the Commonwealth. Also included is the accounting for certain capital leases, which are reflected as assets in the Commonwealth financial statements. Typically about 40,000 fixed asset transactions are processed annually.

Service Area Alignment to Mission

This area supports the mission of the agency by enhancing the integrity of the Commonwealth's financial reporting. The unqualified audit opinion and the receipt of the Certificate of Excellence in Financial Reporting are evidence of the value of this area.

Service Area Statutory Authority

§ 2.2-813 establishes the basis for this service area. This section is as follows:

The Comptroller shall...make a preliminary annual report to the Governor on or before August 15...(and)...a final report on or before December 15...the final report shall be prepared, insofar as practical, in conformance with generally accepted accounting principles.

Service Area Customer Base

Customers	Served	Potential
Fiscal areas in state agencies	230	230
Some non-state agencies are required to comply with financial reporting directives	25	25
Standard and Poor's, Moody's, Fitch	3	3

Service Area Products and Services

- This area produces the Comprehensive Annual Financial Report (CAFR) for the Commonwealth of Virginia.
- This area produces the Preliminary Annual Report of the Commonwealth.
- This area also produces the Popular Annual Financial Report (PAFR).

Factors Impacting Service Area Products and Services

The ability to attract and retain talented employees to handle the complex issues that DOA must address. The impact of new Code and accounting requirements on our system and business.

Anticipated Changes to Service Area Products and Services

We anticipate enhancements to our systems identified through analysis and enhancements which will be required to meet new Code or accounting requirements.

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Service Area Financial Summary

This area is entirely funded by general funds.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$1,195,589	\$0	\$1,195,589	\$0
Changes to Base	\$88,174	\$0	\$88,174	\$0
SERVICE AREA	\$1,283,763	\$0	\$1,283,763	\$0

Service Area Objectives, Measures, and Strategies

Objective 73704.01

Produce a quality Comprehensive Annual Financial Report (CAFR).

It is the objective of this area to maintain the record of the last 18 years by obtaining and unqualified audit opinion and a Certificate of Excellence in Financial Reporting. These two objectives are critical to the state maintaining a AAA rating from the rating agencies.

This Objective Supports the Following Agency Goals:

- Produce a comprehensive annual financial report (CAFR) that receives an unqualified audit opinion and receives the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

This Objective Has The Following Measure(s):

• **Measure 73704.01.00**

Number of consecutive years to receive an unqualified audit opinion and the Certificate of Excellence in

Measure Type: Outcome

Measure Frequency: Annually

Measure Baseline: 18 years, FY 2005

Measure Target: FY 2006- 19; FY 2007 - 20

Measure Source and Calculation: The unqualified opinion is rendered by APA upon audit of the CAFR and the Certificate of Excellence in Financial Reporting is provided by the Government Finance Officers of America (GFOA).

Objective 73704.01 Has the Following Strategies:

- Maintain up to date knowledge of GASB statements to ensure that the CAFR meets the standards to receive both the unqualified opinion and the Certificate of Excellence in Financial Reporting.

Objective 73704.02

Meet requirements of the Code of Virginia's Debt Collection Act.

Chapter 48 of the Code of Virginia requires DOA to oversee, report on, and monitor the Commonwealth's accounts receivable program. DOA has issued policies and procedures on accounting, collecting, reporting, and writing off uncollectible accounts receivable. DOA also provides technical assistance to agencies and uses statistical analyses and audit reports to monitor effectiveness.

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This Objective Supports the Following Agency Goals:

- Produce a comprehensive annual financial report (CAFR) that receives an unqualified audit opinion and receives the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

This Objective Has The Following Measure(s):

- **Measure 73704.02.02**

Frequency that DOA monitors agency submission of quarterly and annual reports on accounts

Measure Type: Output

Measure Frequency: Quarterly

Measure Baseline: Quarterly and annually, FY 2005

Measure Target: Quarterly and annually, 2006-2008 biennium

Measure Source and Calculation: Financial reporting maintains this data.

Objective 73704.02 Has the Following Strategies:

- Policies and procedures are in place to ensure that adequate monitoring is being done to ensure that this measure is met.

Objective 73704.03

Monitor agencies and institutions responses to APA audit reports.

DOA has issued policies and procedures requiring written responses and a corrective action workplan (CAW) to APA audit deficiencies. The responses must be submitted within 30 days of receiving the audit report.

This Objective Supports the Following Agency Goals:

- Produce a comprehensive annual financial report (CAFR) that receives an unqualified audit opinion and receives the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

This Objective Has The Following Measure(s):

- **Measure 73704.03.03**

Frequency that agency work plans submitted in response to APA audit findings are monitored.

Measure Type: Outcome

Measure Frequency: Quarterly

Measure Baseline: Quarterly, FY 2005.

Measure Target: Quarterly, each fiscal year

Measure Source and Calculation: A review of the responses is published quarterly in the Comptroller's Report on Statewide Financial Management and Compliance.

Objective 73704.03 Has the Following Strategies:

- Procedures in place to publish the quarterly report ensure that this measure is met.

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Objective 73704.04

Manage agency compliance with fixed asset and lease accounting policies.

Fixed asset accounting policies and procedures are published in the CAPP manual. Agencies are required to comply with these policies. These policies ensure that agencies account for all major land, building and equipment assets of the Commonwealth. Also included is the accounting for certain capital leases, which are reflected as assets in the Commonwealth financial statements. Typically about 60,000 fixed asset transactions are processed annually.

DOA issues policies and procedures on how to properly account for leases. Financial reporting requirements require that lease activity is fully and appropriately disclosed in the CAFR. Generally Accepted Accounting Principles (GAAP) regarding leases for governmental entities is set forth in the Financial Accounting Standards Board (FASB) statement number 13.

This Objective Supports the Following Agency Goals:

- Produce a comprehensive annual financial report (CAFR) that receives an unqualified audit opinion and receives the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

This Objective Has The Following Measure(s):

- **Measure 73704.04.04**

Produce materially accurate financial information related to the Commonwealth's fixed assets and

Measure Type: Output

Measure Frequency: Annually

Measure Baseline: Materially accurate fixed asset and lease information has been produced in the Commonwealth since 1986.

Measure Target: Continue producing materially accurate fixed asset and lease information.

Measure Source and Calculation: Financial reporting maintains this information.

Objective 73704.04 Has the Following Strategies:

- Follow procedures in Financial Reporting to ensure that fixed assets standards are met.

Objective 73704.05

Develop an accurate Schedule of Expenditures of Federal Awards to ensure compliance with federal requirements.

Financial reporting produces the Schedule of Expenditures of Federal Awards for inclusion in the Statewide Single Audit Report. The schedule is prepared in accordance with the requirements of OMB Federal Circular A-133. This activity provides guidance to State Agencies, Institutions of Higher Education and Component Units on the preparation of their federal Schedules. This sub-activity requires the services of a highly technical financial analyst for about two months.

This Objective Supports the Following Agency Goals:

- Produce a comprehensive annual financial report (CAFR) that receives an unqualified audit opinion and receives the Certificate of Excellence in Financial Reporting from the Government Finance Officers Association (GFOA).

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This Objective Has The Following Measure(s):

- **Measure 73704.05.00**
Consecutive years that an accurate Schedule of Expenditures of Federal Awards was produced by DOA.
Measure Type: Output
Measure Frequency: Annually
Measure Baseline: This schedule has been successfully produced by DOA for the last 7 years.
Measure Target: Continue producing this schedule.
Measure Source and Calculation: Financial reporting maintains this data.

Objective 73704.05 Has the Following Strategies:

- Policies in Financial Reporting are in place to ensure that this schedule is completed.

Objective 73704.06

Ensure statewide compliance with the Prompt Payment Act.

The Prompt Payment Act (Article 2.1, Code of Virginia § § 11.62.1 through 11.62.11). The prompt pay act promotes sound cash management and improved vendor relationships by ensuring timely payments for goods and services. Agency compliance with the act is monitored and reported on in the Comptroller's "Report on Statewide Financial Management and Compliance".

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

- **Measure 73704.06.07**
Monitor vendor payments to determine which are paid by the due date.
Measure Type: Output
Measure Frequency: Quarterly
Measure Baseline: DOA monitors vendor payments quarterly.
Measure Target: Continue monitoring vendor payments.
Measure Source and Calculation: Financial Reporting maintains this data.

Objective 73704.06 Has the Following Strategies:

- The monthly prompt pay statistics are produced by CARS and the quarterly reporting of this is accomplished by the publishing of the quarterly report.

Objective 73704.07

Develop statewide Indirect Cost Allocation Plans.

The Statewide indirect cost allocation plan is prepared in accordance with OMB Circular A-87 and is used by agencies entitled to recover indirect costs from federal grants and contracts. DOA's plan is audited and approved by the federal government on behalf of the Commonwealth. This plan recovered over \$190 million from federal sources in FY 2004.

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A “full costing” plan is developed for DPB that supports the recovery of indirect costs borne by the General Fund on behalf of non-general funded agencies and programs. The Appropriation Act is used to recover these costs for the General Fund. In FY 2004, \$7.5 million was recovered for the General Fund through this program.

This Objective Supports the Following Agency Goals:

- Maintain the integrity of the accounting and payroll systems of the Commonwealth to provide for accurate financial and accounting information.

This Objective Has The Following Measure(s):

- **Measure 73704.07.08**

Develop federal Indirect Cost Allocation plan in accordance with federal circular A-87.

Measure Type: Outcome

Measure Frequency: Annually

Measure Baseline: Annual, FY 2005

Measure Target: Annual, 2006-2008

Measure Source and Calculation: Financial reporting

- **Measure 73704.07.09**

Develop a Full-Costing Statewide Indirect Cost Allocation Plan.

Measure Type: Output

Measure Frequency: Annually

Measure Baseline: Annual, FY 2004. (In 2004, \$7.5 million was collected for the General Fund of the Commonwealth.)

Measure Target: Annual, 2006 - 2008 biennium

Measure Source and Calculation: Financial reporting maintains this data.

Objective 73704.07 Has the Following Strategies:

- Continue to develop a Full-Costing Statewide Indirect Cost Allocation Plan.